

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Washington	County Gratiot
Fiscal Year End March 31, 2008	Opinion Date June 30, 2008	Date Audit Report Submitted to State July 28, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

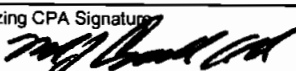
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	N/A		
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040		
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI	Zip 48707
Authorizing CPA Signature 		Printed Name Mark J. Campbell		License Number 1101007803

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 30, 2008

To the Township Board  
Township of Washington  
Gratiot County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Washington, Gratiot County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Washington's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Washington, Gratiot County, Michigan as of March 31, 2008, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co. P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Washington covers the Township's financial performance during the year ended March 31, 2008.

**FINANCIAL HIGHLIGHTS**

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$101,549.22 from governmental activities with a \$15,732.70 increase in net assets.

**OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

**ENTITY-WIDE FINANCIAL STATEMENTS**

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

**CONDENSED FINANCIAL INFORMATION**

For the year ended March 31, 2008

	Governmental Activities 2008	Business-type Activities 2008	Total 2008
Current Assets	107 588	135 358	242 946
Capital Assets	<u>12 320</u>	<u>180 472</u>	<u>192 792</u>
Total Assets	<u>119 908</u>	<u>315 830</u>	<u>435 738</u>
Current Liabilities	-	26 132	26 132
Non-current Liabilities	<u>-</u>	<u>81 243</u>	<u>81 243</u>
Total Liabilities	<u>-</u>	<u>107 375</u>	<u>107 375</u>
Net Assets:			
Invested in Capital Assets	12 320	93 815	106 135
Unrestricted	<u>107 588</u>	<u>114 640</u>	<u>222 228</u>
Total Net Assets	<u>119 908</u>	<u>208 455</u>	<u>328 363</u>

	Governmental Activities 2008	Business-type Activities 2008	Total 2008
Program Revenues:			
Fees and Charges for Services	11 616	3 312	14 928
General Revenues:			
Property Taxes	20 110	-	20 110
State Revenue Sharing	65 465	-	65 465
Interest	2 108	207	2 315
Miscellaneous	<u>2 250</u>	<u>12</u>	<u>2 262</u>
Total Revenues	<u>101 549</u>	<u>3 531</u>	<u>105 080</u>
Program Expenses:			
Legislative	2 014	-	2 014
General Government	40 670	-	40 670
Public Safety	341	-	341
Public Works	<u>42 792</u>	<u>15 885</u>	<u>58 677</u>
Total Expenses	<u>85 817</u>	<u>15 885</u>	<u>101 702</u>
Increase (Decrease) in Net Assets	15 732	(12 354)	3 378
Net Assets, April 1	<u>104 176</u>	<u>220 809</u>	<u>324 985</u>
Net Assets, March 31	<u>119 908</u>	<u>208 455</u>	<u>328 363</u>

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

**Governmental Funds:** Some of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund.

**Business-Type Funds:** The Township has a Sewer Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Total net assets at March 31, 2008, were \$119,908.46 for governmental activities and \$208,455.08 for business-type activities.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$85,024.32.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities and business-type activities invested \$0 in capital assets.

The Township's business-type activities paid \$3,385.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at 3654 E. Cleveland Road, Ashley, MI 48806.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash in bank	104 020 57	23 480 06	127 500 63
Taxes receivable	3 567 49	1 470 14	5 037 63
Accounts receivable	-	1 733 20	1 733 20
Special assessments receivable	-	108 675 00	108 675 00
<b>Total Current Assets</b>	<u>107 588 06</u>	<u>135 358 40</u>	<u>242 946 46</u>
<b>CAPITAL ASSETS:</b>			
Capital Assets	62 759 00	241 891 00	304 650 00
Less: Accumulated Depreciation	<u>(50 438 60)</u>	<u>(61 419 00)</u>	<u>(111 857 60)</u>
<b>Total Capital Assets</b>	<u>12 320 40</u>	<u>180 472 00</u>	<u>192 792 40</u>
<b>TOTAL ASSETS</b>	<u><u>119 908 46</u></u>	<u><u>315 830 40</u></u>	<u><u>435 738 86</u></u>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	-	20 718 72	20 718 72
Payable from restricted assets:			
Bonds payable – current portion	-	3 385 00	3 385 00
Accrued interest payable	-	2 028 60	2 028 60
<b>Total Current Liabilities</b>	<u>-</u>	<u>26 132 32</u>	<u>26 132 32</u>
<b>NON-CURRENT LIABILITIES:</b>			
Bonds payable – long-term portion	-	81 243 00	81 243 00
<b>Total Non-current Liabilities</b>	<u>-</u>	<u>81 243 00</u>	<u>81 243 00</u>
<b>Total Liabilities</b>	<u>-</u>	<u>107 375 32</u>	<u>107 375 32</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets,			
Net of Related Debt	12 320 40	93 815 40	106 135 80
Unrestricted	<u>107 588 06</u>	<u>114 639 68</u>	<u>222 227 74</u>
<b>Total Net Assets</b>	<u>119 908 46</u>	<u>208 455 08</u>	<u>328 363 54</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>119 908 46</u></u>	<u><u>315 830 40</u></u>	<u><u>435 738 86</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	2 014 08	-	(2 014 08)
General government	40 669 89	7 355 60	(33 314 29)
Public safety	341 00	2 080 00	1 739 00
Public works	<u>42 791 55</u>	<u>2 180 00</u>	<u>(40 611 55)</u>
Total Governmental Activities	<u>85 816 52</u>	<u>11 615 60</u>	<u>(74 200 92)</u>
Business-Type Activities:			
Sewer	<u>15 884 65</u>	<u>3 312 00</u>	<u>-</u>
Total Business-Type Activities	<u>15 884 65</u>	<u>3 312 00</u>	<u>-</u>
Total Primary Government	<u><u>101 701 17</u></u>	<u><u>14 927 60</u></u>	<u><u>(74 200 92)</u></u>
General Revenues:			
Property taxes			20 110 06
State revenue sharing			65 465 30
Interest			2 108 47
Miscellaneous			<u>2 249 79</u>
Total General Revenues			<u>89 933 62</u>
Change in net assets			15 732 70
Net assets, beginning of year			<u>104 175 76</u>
Net Assets, End of Year			<u><u>119 908 46</u></u>

The accompanying notes are an integral part of these financial statements.

Business-Type Activities	Total
Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
-	(2 014 08)
-	(33 314 29)
-	1 739 00
-	(40 611 55)
-	(74 200 92)
(12 572 65)	(12 572 65)
(12 572 65)	(12 572 65)
(12 572 65)	(86 773 57)
-	20 110 06
-	65 465 30
206 96	2 315 43
11 85	2 261 64
218 81	90 152 43
(12 353 84)	3 378 86
220 808 92	324 984 68
208 455 08	328 363 54

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2008

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	78 280 60
Taxes receivable	3 567 49
Due from (to) other funds	<u>25 739 97</u>
Total Assets	<u><u>107 588 06</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>107 588 06</u>
Total fund equity	<u><u>107 588 06</u></u>
Total Liabilities and Fund Equity	<u><u>107 588 06</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	107 588 06
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	62 759 00
Accumulated depreciation	<u>(50 438 60)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>119 908 46</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2008

	<u>Total (General)</u>
Revenues:	
Property taxes	20 110 06
Licenses and permits	80 00
State revenue sharing	65 465 30
Charges for services – PTAF	6 955 60
Charges for services – other	2 000 00
Interest	2 108 47
Rent	400 00
Special assessments	2 180 00
Miscellaneous	<u>2 249 79</u>
Total revenues	<u>101 549 22</u>
Expenditures:	
Legislative:	
Township Board	2 014 08
General government:	
Supervisor	965 92
Elections	572 12
Assessor	6 039 20
Clerk	7 295 07
Board of Review	76 92
Treasurer	8 621 95
Building and grounds	2 819 33
Cemetery	3 100 00
Unallocated	10 387 18
Public safety:	
Planning and zoning	341 00
Public works:	
Highways and streets	39 433 24
Street lights	1 136 61
Drains	<u>2 221 70</u>
Total expenditures	<u>85 024 32</u>
Excess of revenues over expenditures	16 524 90
Fund balances, April 1	<u>91 063 16</u>
Fund Balances, March 31	<u><u>107 588 06</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	16 524 90
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation Expense	(792 20)
Capital Outlay	<u>-</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>15 732 70</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

STATEMENT OF NET ASSETS – ALL PROPRIETARY FUNDS  
March 31, 2008

	<u>Enterprise (Sewer)</u>
<u>Assets</u>	
Current assets:	
Cash	23 480 06
Taxes receivable	1 470 14
Accounts receivable	1 733 20
Special assessments receivable	<u>108 675 00</u>
Total current assets	<u>135 358 40</u>
Capital assets:	
Sewer system	241 891 00
Less: Accumulated depreciation	<u>(61 419 00)</u>
Capital assets – net	<u>180 472 00</u>
Total Assets	<u><u>315 830 40</u></u>
<u>Liabilities and Net Assets</u>	
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	20 718 72
Payable from restricted assets:	
Bonds payable – current portion	3 385 00
Accrued interest payable	<u>2 028 60</u>
Total current liabilities	<u>26 132 32</u>
Non-current liabilities:	
Bonds payable – long-term portion	<u>81 243 00</u>
Total non-current liabilities	<u>81 243 00</u>
Total liabilities	<u>107 375 32</u>
Net Assets:	
Invested in capital assets, net of related debt	93 815 40
Unrestricted	<u>114 639 68</u>
Total net assets	<u>208 455 08</u>
Total Liabilities and Net Assets	<u><u>315 830 40</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –  
ALL PROPRIETARY FUNDS  
Year ended March 31, 2008

	<u>Enterprise (Sewer)</u>
Operating revenues:	
Service charges	3 312 00
Miscellaneous	<u>11 85</u>
Total operating revenues	<u>3 323 85</u>
Operating expenses:	
Wages	884 08
Payroll taxes	67 63
Insurance	46 58
Professional fees	169 25
Utilities	995 90
Supplies	40 11
Repairs and maintenance	591 68
Miscellaneous	<u>1 122 25</u>
Total operating expenses before depreciation	<u>3 917 48</u>
Operating income (loss) before depreciation	(593 63)
Less depreciation	<u>(6 113 00)</u>
Operating income (loss)	<u>(6 706 63)</u>
Non-operating income (expense):	
Interest earnings	206 96
Interest expense	<u>(5 854 17)</u>
Net non-operating income (expense)	<u>(5 647 21)</u>
Net income (loss)	(12 353 84)
Net assets, beginning of year	<u>220 808 92</u>
Net Assets, End of Year	<u><u>208 455 08</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS  
Year ended March 31, 2008

	<u>Enterprise (Sewer)</u>
Cash flows from operating activities:	
Cash received from customers	3 831 99
Cash payments for goods and services	(2 082 73)
Cash payments to employees	(884 08)
Cash received from miscellaneous income	<u>11 85</u>
Net cash provided by operating activities	<u>877 03</u>
Cash flows from capital and related financing activities:	
Principal paid on bonds	(3 385 00)
Interest and fees paid on bonds	(5 854 17)
Collection of special assessments	<u>7 070 00</u>
Net cash (used) for capital and related financing activities	<u>(2 169 17)</u>
Cash flows from investing activities:	
Investment income	<u>206 96</u>
Net cash provided by investing activities	<u>206 96</u>
Net increase (decrease) in cash and restricted cash	(1 085 18)
Cash and restricted cash – April 1	<u>24 565 24</u>
Cash and restricted cash – March 31	<u><u>23 480 06</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating (loss)	(6 706 63)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	6 113 00
Change in assets and liabilities:	
(Increase) in accounts receivable	519 99
(Decrease) in accounts payable	<u>950 67</u>
Net Cash Provided (Used) for Operating Activities	<u><u>877 03</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the Township of Washington, Gratiot County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

**Reporting Entity**

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Washington. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer enterprise fund are charges to customers for services. The enterprise fund also recognizes as operating revenues the tap fees to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Enterprise Fund

The Sewer Fund reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 2 before they are added to the county tax rolls. The 2007 tax roll millage rate was .9778 mills, and the taxable value was \$20,569,748.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$750.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	25-50 years
Equipment	5-7 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>127 500 63</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	145 577 16
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>145 577 16</u>

The Township of Washington did not have any investments as of March 31, 2008.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

**Concentration of Credit Risk**

Generally, credit risk the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Note 3 – Deposits and Investments (continued)**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities.

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<b><u>Governmental Activities:</u></b>				
Land and improvements	5 575 00	-	-	5 575 00
Buildings and improvements	40 193 00	-	-	40 193 00
Equipment	16 991 00	-	-	16 991 00
Total	62 759 00	-	-	62 759 00
Accumulated Depreciation	(49 646 40)	(792 20)	-	(50 438 60)
Net Governmental Capital Assets	<u>13 112 60</u>	<u>(792 20)</u>	<u>-</u>	<u>12 320 40</u>
<b><u>Business-Type Activities:</u></b>				
Sewer System	241 891 00	-	-	241 891 00
Total	241 891 00	-	-	241 891 00
Accumulated Depreciation	(55 306 00)	(6 113 00)	-	(61 419 00)
Net Business-Type Capital Assets	<u>186 585 00</u>	<u>(6 113 00)</u>	<u>-</u>	<u>180 472 00</u>

**Note 5 – Pension Plan**

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended March 31, 2008, was \$3,344.92.

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 8 – Budget Variances**

Township expenditures exceeded budgeted amounts as follows:

<u>Fund/ Activity</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General:			
Elections	100 00	572 12	472 12
Drains	1 900 00	2 221 70	321 70

**Note 9 – Changes in Long-Term Debt**

	<u>Balance 4/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/08</u>
1996 Sewer Revenue Bonds	<u>88 013 00</u>	<u>-</u>	<u>3 385 00</u>	<u>84 628 00</u>

**Note 10 – 1996 Sewer Revenue Bonds**

\$320,000 County of Gratiot, Pompeii Community Sanitary Sewer System Bonds. These bonds are split \$108,320.00 and \$211,680.00 between Washington and Fulton Townships respectively. Bonds are dated August 1, 1996. Washington Township's annual installments range from \$3,385.00 to \$5,078.00 through May 1, 2022, with interest ranging from 5.2 to 6.0 percent, payable semi-annually.

<u>Year</u>	<u>Principal Due May 1</u>	<u>Interest due May 1</u>	<u>Interest due November 1</u>
2008	\$3 385 00	\$2 487 13	\$2 395 73
2009	3 385 00	2 395 73	2 302 65
2010	5 078 00	2 302 65	2 160 48
2011	5 078 00	2 160 48	2 015 77
2012	5 078 00	2 015 77	1 868 52
2013	5 078 00	1 868 52	1 721 27
2014	5 078 00	1 721 27	1 571 49
2015	5 078 00	1 571 49	1 421 70
2016	6 770 00	1 421 70	1 218 60
2017	6 770 00	1 218 60	1 015 50
2018	6 770 00	1 015 50	812 40
2019	6 770 00	812 40	609 30
2020	6 770 00	609 30	406 20
2021	6 770 00	406 20	203 10
2022	<u>6 770 00</u>	<u>203 10</u>	<u>0 00</u>
Total	<u>\$84 628 00</u>	<u>\$22 209 84</u>	<u>\$19 722 71</u>

**Note 11 – Building Permits**

The Township of Washington does not issue building permits. Building permits are issued by the County of Gratiot.

**Note 12 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>25 739 97</u>	Current Tax Collection	<u>25 739 97</u>
Total	<u>25 739 97</u>	Total	<u>25 739 97</u>

TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	23 717 00	23 717 00	20 110 06	(3 606 94)
Licenses and permits	400 00	400 00	80 00	(320 00)
State revenue sharing	63 000 00	63 000 00	65 465 30	2 465 30
Charges for services – PTAF	4 200 00	4 200 00	6 955 60	2 755 60
Charges for services – other	-	-	2 000 00	2 000 00
Interest	2 700 00	2 700 00	2 108 47	(591 53)
Rent	200 00	200 00	400 00	200 00
Special assessments	-	-	2 180 00	2 180 00
Miscellaneous	2 300 00	2 300 00	2 249 79	(50 21)
Total revenues	96 517 00	96 517 00	101 549 22	5 032 22
Expenditures:				
Legislative:				
Township Board	8 300 00	8 300 00	2 014 08	(6 285 92)
General government:				
Supervisor	1 000 00	1 000 00	965 92	(34 08)
Elections	100 00	100 00	572 12	472 12
Assessor	7 600 00	7 600 00	6 039 20	(1 560 80)
Clerk	8 600 00	8 600 00	7 295 07	(1 304 93)
Board of Review	1 000 00	1 000 00	76 92	(923 08)
Treasurer	14 350 00	14 350 00	8 621 95	(5 728 05)
Building and grounds	3 700 00	3 700 00	2 819 33	(880 67)
Cemetery	3 300 00	3 300 00	3 100 00	(200 00)
Unallocated	24 800 00	24 800 00	10 387 18	(14 412 82)
Public safety:				
Planning and zoning	1 400 00	1 400 00	341 00	(1 059 00)
Public works:				
Highways and streets	52 200 00	52 200 00	39 433 24	(12 766 76)
Street lighting	1 700 00	1 700 00	1 136 61	(563 39)
Drains	1 900 00	1 900 00	2 221 70	321 70
Total expenditures	129 950 00	129 950 00	85 024 32	(44 925 68)
Excess (deficiency) of revenues over expenditures	(33 433 00)	(33 433 00)	16 524 90	49 957 90
Fund balance, April 1	33 433 00	33 433 00	91 063 16	57 630 16
Fund Balance, March 31	-	-	107 588 06	107 588 06



TOWNSHIP OF WASHINGTON  
Gratiot County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>34 79</u>	<u>493 910 40</u>	<u>468 205 22</u>	<u>25 739 97</u>
<u>Liabilities</u>				
Due to other funds	34 79	28 633 62	2 928 44	25 739 97
Due to others	<u>-</u>	<u>465 276 78</u>	<u>465 276 78</u>	<u>-</u>
Total Liabilities	<u>34 79</u>	<u>493 910 40</u>	<u>468 205 22</u>	<u>25 739 97</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 30, 2008

To the Township Board  
Township of Washington  
Gratiot County, Michigan

We have audited the financial statements of the Township of Washington for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Washington in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Washington  
Gratiot County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants